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Promotion and place advertising combination on positive word of mouth private label product mediated by consumer satisfaction

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ABSTRACT

This research uses a quantitative approach, using 25 samples taken from the population, namely consumers of retail companies that sell private label products, including Superindo, Indomaret, and Alfamart. The purpose of this study is to analyze and determine whether the variable customer satisfaction can mediate the effect of promotion and place advertising on positive word of mouth. Data analysis in this research used PLS (Partial Least Square) with the SmartPLS program, which consists of a measurement model, namely convergent validity, discriminant validity and composite reliability, as well as structural models namely R-Square, Q-Square, Path test coefficients to test the significance of influence, and the sobel test to test for mediation. The results showed that consumer satisfaction was not able to mediate a positive relationship between promotion and positive word of mouth, but promotion had a significant effect on consumer satisfaction..

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Introduction

The main business objective is to seek profit or maximize profit. Only then can other goals be achieved. Companies must be able to provide the best service from raw materials to products in the hands of consumers. Business competition is getting higher, business people are trying their best so that their products can occupy the hearts of customers, various strategies are used in order to attract consumers to repurchase to increase sales volume, ranging from product strategies, promotional strategies, advertising, brands, pricing, distribution, customer satisfaction and others, depending on the policies to be taken by the company. The impact of very fierce business competition, among others, has an impact on the number of companies that grow, develop and become successful, which can achieve high sales volumes for a long time, although some companies experience difficulties in finding consumers so that sales decline and if left for a long time It can result in company losses, even at the most extreme, that is, companies can go bankrupt and some have not even had time to develop because they cannot satisfy consumers' hearts. In finding a way out of this problem, companies are required to be able to understand customer needs so that they can win business competition. In marketing, promotion and advertising management is very important in terms of satisfying consumers (Aprianto, 2016)

Promotion and Services have a significant effect on Customer Satisfaction at BNJ Electronic Stores. Lately there are many companies using private label products or store brands in attracting customers in order to increase their sales volume and satisfy consumers' hearts, because with these private label products companies can implement low price strategies, promotional strategies, advertising strategies and others. to satisfy consumers. Private label products are one of the strategies implemented by entrepreneurs. Private label products or store brand products are products whose brands are designed and developed using the retailer's name (Susanti, 2012). (Allegro, 2015) stated that the selling price of store-brand or private label products is always lower than the company's branded products. It is recommended that retailers maintain low prices on their private label products while maintaining and improving the quality of these products. For this reason, the researcher takes the title of a combination of promotion and place advertising on positive word of mouth of private label products that are mediated by consumer decisions. The research objective is to determine and analyze whether consumer satisfaction is able to mediate the promotion and advertisement of the place against positive viral infections of

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private label products? And also to find out and analyze how the influence between the independent variable and the mediating variable and the dependent variable.

Literature Review

Conceptual Background

Promotion

Promotion In marketing we know advertising and promotion, sales promotion is a program designed to increase sales volume in the short term, is the core ingredient of a marketing campaign consisting of an intensive collection of tools. According to (Kotler & Keller, 2009), Sales promotions include equipment for consumer promotions, including: illustrations, coupons, cash refund offers, discounts, premiums, gifts, awards, free trials, guarantees, related promotions, cross promotions, point of purchase displays, demonstrations (Law & Ihalaauw, 2017). The results of the research are as follows to create customer loyalty, it turns out that customers must be satisfied first. This was confirmed by (Listiawati, et al, 2017). One of the findings is that promotion has a significant effect on customer satisfaction. (Zain, 2015). The findings, among others, are among other variables, promotion is the most dominant variable that has a significant and positive effect on customer loyalty. This means that to create loyal customers, companies must create bold promotional programs.

Place Advertising

The definition of place advertising according to (Kotler & Keller, 2009), advertisements for places or outside advertisements, with the reason that marketers are better at reaching people where people work, play, and shop. Place ad options include: billboard, public space, product placement, point of purchase.

Positive Word of Mouth

According to (Sumardy dan Melone, 2011). Word of mouth is the act of providing information by consumers to other consumers. Word of mouth includes 3 things, namely: Customer the talking, Customer do promoting, customer do selling. Meanwhile, (Nugraha & Aditya, 2015), word of mouth has a significant effect on purchasing decisions which in turn can provide satisfaction to consumers. According to (Kotler & Keller, 2009), Many well-known brands are built through strong word of mouth, as well as companies. In some cases, word of mouth is managed and facilitated.

Private Label

(Kotler & Keller, 2009), Private label brands are also called seller, shop, home, or distributor brands. Many companies think that retailers can be good partners, on the other hand, they are also competitors. Some of the private brands saw such a rapid rise in sales that many of the well-known brands became terrified. (Kotler & Keller, 2009), the most successful strategies for launching, leveraging, and competing with store brands, among others 1. Private labels can be found everywhere 2. Consumers accept private label 3. Private label buyers come from all socioeconomic strata. 4. Private label is not a phenomenon during recessions 5. Loyalty of consumers shifts from producers to retailers 6. Profits flow from producers to retailers

Customers Satisfaction

Customer Satisfaction (Tjiptono, 2015), in principle, the purpose of a business is to produce satisfied customers Factors that are often used by consumers in evaluating satisfaction or dissatisfaction with manufacturing products include: Product performance, namely the product operating characteristics of the core product Features are secondary or complementary characteristics Reliability i.e. less likely to be damaged or fail to wear Compliance with specifications is the extent to which design and operating characteristics meet predetermined standards Durability is related to how long the product can be used Serviceability includes competence speed, convenience, easy repair Aesthetics, namely the attraction of the product to the five senses Perceptions of quality, namely the image and reputation of the product and the company's responsibility for it.

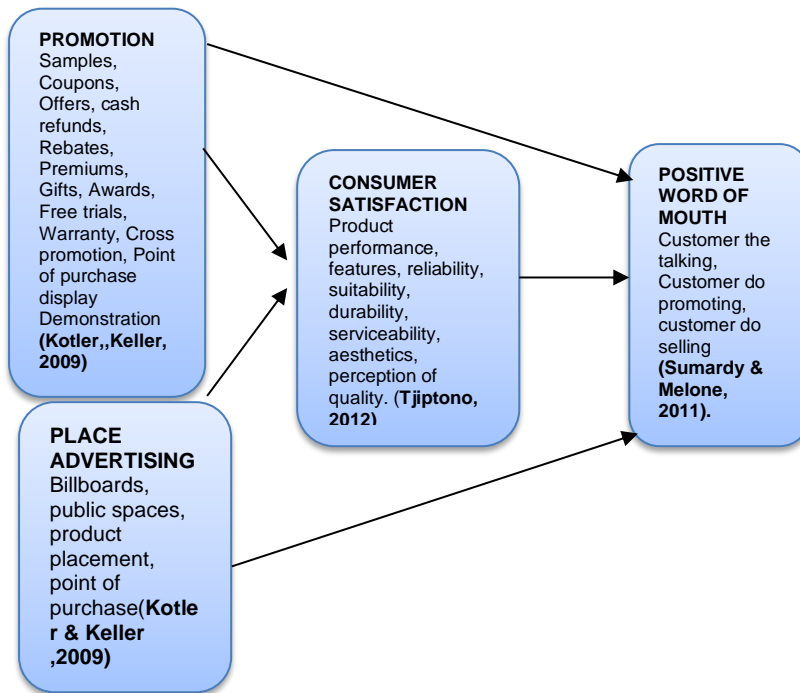


Figure 1: Conceptual Frame Work; *Source:* Authors

Research and Methodology

This research was conducted through a survey of the research population which includes all retail business consumers who sell private label products, including Superindo, Indomart and Alfamart in Surabaya. In this study, the sampling was carried out by using purposive sampling technique and selected 25 respondents. (Sugiyono, 2013), in analyzing the data the researcher used the Partial Least Square technique with the SmartPLS program. The method in SmartPLS analysis includes the measurement model (outer model) and structural model (inner model). The measurement model (outer model) consists of convergent validity, discriminant validity and composite reliability, while the structural model (inner model) includes R-Square, Q-Square, path coefficient test (direct effect testing) and sobel test.

Result and Discussion

In analyzing the data, the researcher used Partial Least Square (Smart PLS) 2.0 A. The measurement model (outer model) In this measurement model, the tests carried out are validity and reliability, which include convergent validity, discriminant validity, and composite reliability. (PLS training manual module)

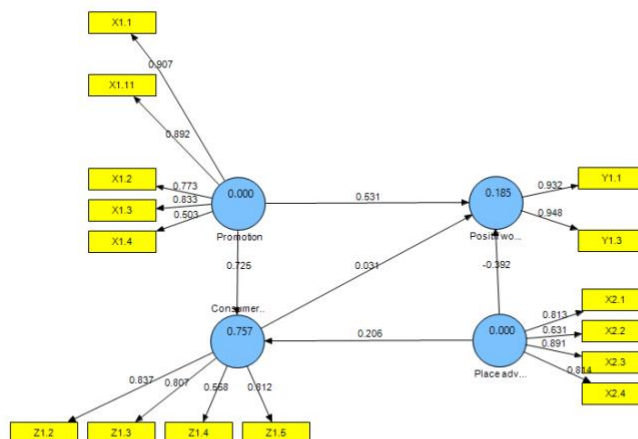


Figure 2: Measurement model; *Source:* Results of data analysis for 2020

Convergent validity**Table 1:** Outer Loadings

	Consumer satisfaction	Place advertising	Positive word of mouth	Promotion
X1.1				0.907177
X1.11				0.891725
X1.2				0.772971
X1.3				0.832684
X1.4				0.503341
X2.1		0.813373		
X2.2		0.631179		
X2.3		0.891284		
X2.4		0.813988		
Y1.1			0.931923	
Y1.3			0.948088	
Z1.2	0.837293			
Z1.3	0.807435			
Z1.4	0.557521			
Z1.5	0.811814			

Source: Results of data analysis in 2020

After the analysis was carried out, it turned out that there were several indicators that were invalid, namely having an outer loading value below 0.5, these indicators were then removed, then re-analyzed. The results of this analysis can be seen in Table 1 which shows that each indicator already has an outer loading value above 0.5, which means that all indicators are valid (Ghozali & Latan, 2012).

Table 2: AVE and Communality

	AVE	Communality
Consumer satisfaction	0.580721	0.580719
Place advertising	0.629232	0.629232
Positive word of mouth	0.883676	0.883676
Promotion	0.632468	0.632468

Source: results of data analysis in 2020

The results of data analysis in table 2 show that ave and communality are more than 0.5, so it can be said that they have met the requirements for convergent validity (Ghozali & Latan, 2012).

Discriminant Validity**Table 3:** Cross Loadings

	Consumer satisfaction	Place advertising	Positive word of mouth	Promotion
X1.1	0.811814	0.530186	0.279823	0.907177
X1.11	0.823645	0.568542	0.305126	0.891725
X1.2	0.627805	0.258770	0.370727	0.772971
X1.3	0.658362	0.718724	0.144801	0.832684
X1.4	0.363694	0.525733	0.030929	0.503341
X2.1	0.633367	0.813373	-0.061312	0.621059
X2.2	0.374632	0.631179	0.004300	0.322397
X2.3	0.550824	0.891284	-0.062856	0.506156
X2.4	0.504912	0.813988	0.028655	0.504185
Y1.1	0.165359	-0.054128	0.931923	0.255075
Y1.3	0.251528	-0.014113	0.948088	0.322370
Z1.2	0.837293	0.474061	0.251887	0.638953
Z1.3	0.807435	0.605458	0.060661	0.541733
Z1.4	0.557521	0.445827	-0.056380	0.317489
Z1.5	0.811814	0.530186	0.279823	0.907177

Source: results of data analysis in 2020

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Z1.5	0.811814	0.530186	0.279823	0.907177

Source: Results of data analysis in 2020

From the results of the analysis in Table 3, it shows that all indicators have the largest cross loading value on the variables they form so that they meet discriminant validity. Because all indicators have met the validity test, further analysis can be carried out.

Table 4: Latent Variable Correlations

	Consumer satisfaction	Place advertising	Positive word of mouth	Promotion
Consumer satisfaction	1.000000			
Place advertising	0.665275	1.000000		
Positive word of mouth	0.224627	-0.034882	1.000000	
Promotion	0.855636	0.633599	0.309323	1.000000

Source: Results of data analysis in 2020

The value in the Latent Variable Correlation table in table 4, if the correlation value is > 0.5 which can be interpreted as a correlation between latent variables. 3. Construct Reliability The accepted limit value for the level of reliability is composite reliability ≥ 0.70

Table 5: Composite Reliability

	Composite Reliability
Consumer satisfaction	0.844159
Place advertising	0.869957
Positive word of mouth	0.938242
Promotion	0.892593

Source: Analysis results

Table 5 shows that all variables are declared to test the reliability test (Ghozali & Latan, 2012).

Structural Model (inner model)

In this structural model, the tests carried out are R-Square and Q-Square, direct effect testing and indirect effect testing, and mediation test using the Sobel test.

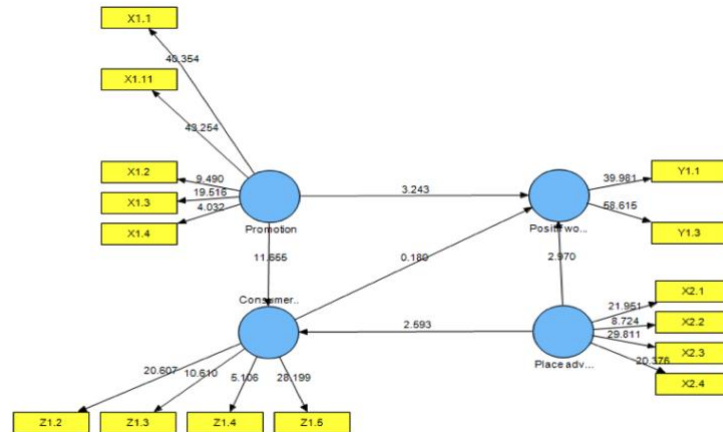


Figure 3: Structural model: Source: analysis results

R-Square and Q-Square

Table 6: R Square

	R Square
Consumer satisfaction	0.757448
Place advertising	
Positive word of mouth	0.184959
Promotion	

Source: data analysis in 2020

R Square of customer satisfaction of 0.757448 means that customer satisfaction is influenced by promotion and place advertising, the remaining 75% is explained by other variables which are not examined here, while the R square word of mouth is positive 0.184959, meaning that word of mouth is positively influenced by customer satisfaction, only 18%, the rest is influenced by other variables outside of this model. Q Square, the overall value of R square is Q square, namely $1 - ((1-0.757) \times (1-0.185)) = 0.8019$. The Q square value of 0.8019 means that the structural model can explain the conditions in the field by 80.19% and is positive or the amount of influence is 80.19% and positive, while the rest is explained by other variables not studied.

Testing the direct and indirect effects

Table 7: Path Coefficients

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics ((O/STERR))
Consumer satisfaction -> Positive word of mouth	0.030744	0.029256	0.170746	0.170746	0.180057
Place advertising -> Consumer satisfaction	0.205737	0.209274	0.079351	0.079351	2.592753
Place advertising -> word of mouth	-0.392038	-0.393165	0.131994	0.131994	2.970115
Promotion -> Consumer satisfaction	0.725281	0.729515	0.062229	0.062229	11.655077
Promotion -> word of mouth	0.531412	0.532246	0.163872	0.163872	3.242849

Source: Data analysis in 2020

Significance test of influence The T Statistics value in the path coefficient table explains whether there is an influence between the variables studied using an error rate of 0.5%. with the minimum criteria on the t-statistic of 1.96, if the value of t statistics > t table is 1.96 it means that there is a significant effect, if the value of t statistic < t table is 1.96 this means that there is no significant influence between variables. the variables studied. In table 7, the Path Coefficients table, the results of the analysis show that:

Influence Test The consumer satisfaction variable does not have a significant effect on positive word of mouth because the t statistical value shows 0.180057 where < 1.96. Place advertising variable has a significant positive effect on customer satisfaction because the t statistical value shows 2.592753 where > t table 1.96 Place advertisement variable has a significant negative effect on positive word of mouth because the t statistical value shows 2.970115 where > t table is 1.96, and the Original Sample (O) column shows negative results.

Promotion has a positive and significant effect on customer satisfaction because the t statistical value shows 11.655077 where > t table 1.96. This is in line with the results of research from (Law & Ihalaauw, 2017). One of the findings is that promotion customer satisfaction has a positive and significant effect. Likewise, the results of the election from (Listiwati et al, 2017), and (Zain, 2015), one of the findings is that customer satisfaction is influenced by advertising, sales promotion, and personal selling. Promotion has a positive effect on positive wording because the t-statistic value shows 3.242849

Test the mediation with the Sobel Test

Sobel test from (Sobel, M. E, 1982), (Baron, R. M. and Kenny, D. A, 1986),

Table 8: Sobel test for Promotion Against positive word of mouth

Input:		Test statistic:	Std. Error:	p-value:
a	0.725281	Sobel test: 0.18003544	0.12385361	0.85712475
b	0.030744	Aroian test: 0.17937656	0.12430854	0.85764204
s _a	0.062229	Goodman test: 0.18070164	0.12339699	0.85660177
s _b	0.170746	Calculate		
Reset all				

Source: analysis results in 2020

In table 8, from the calculation of the sobel test, the value is 0.180, which is 0.180 < 1.96 with a significance level of 5%, proving that customer satisfaction is not able to mediate the relationship between the effect of promotion on positive word of mouth.

Table 9: Sobel test Place advertising Against Positive word of mouth

Input:		Test statistic:	Std. Error:	p-value:
a	0.205737	Sobel test: 0.1796243	0.03521338	0.85744753
b	0.030744	Aroian test: 0.16764316	0.03773001	0.86686401
s _a	0.079351	Goodman test: 0.19460612	0.03250246	0.84570131
s _b	0.170746	Calculate		
Reset all				

Source: analysis results in 2020

In table 9, from the results of the calculation of the sobel test, the value is 0.179, where 0.179 < 1.96 with a significance of 5% can prove that customer satisfaction is not able to mediate the relationship between the effect of place advertising on positive word of mouth.

Conclusions

Based on the results of the analysis, it was found that consumer satisfaction was not able to mediate the effect of promotion on positive word of mouth, but promotion had a significant effect on consumer satisfaction. This explains the findings of (Law & Ihalaauw, 2017), (Listiwati, et al, 2017), and (Zain, 2015), and promotion directly has a significant effect on positive word of mouth, to do word of mouth, consumers do not have to feel satisfaction first. The consumer satisfaction variable also does not mediate the effect of place advertisements on positive word of mouth, but directly place advertisements have a significant effect on positive word of mouth and also on consumer satisfaction. To do word of mouth, you do not have to go through the variable of customer satisfaction first, from the advertisement where the consumer can do word of mouth positively. The suggestion in this study the respondents are taken randomly, not evenly so that in the next study it is based on regions so that the results are more representative. Respondents who are few can influence the results, it is suggested in future studies to increase the number of respondents in order to achieve more accurate research results.

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